



DEPARTMENT OF THE AIR FORCE
HEADQUARTERS AIR FORCE MATERIEL COMMAND
WRIGHT-PATTERSON AIR FORCE BASE OHIO

64-10
FAR Part 15
Chenit, Feklin
26 Feb 01

MEMORANDUM FOR SEE DISTRIBUTION

FROM: HQ AFMC/PK
4375 Chidlaw Road, Room S208
Wright-Patterson AFB OH 45433-5006

SUBJECT: Adequate Price Competition (APC) in One-Offer Situations

1. FAR 15.403-1(c)(1)(ii) states that APC can exist if "There was a reasonable expectation, based on market research or other assessment, that two or more responsible offerors, competing independently, would submit priced offers in response to the solicitation's expressed requirement, even though only one offer is received from a responsible offeror." This type of competition can be a useful tool to expedite our procurements. However, based on several Inspector General findings, we need to ensure that the requirements of the FAR are complied with completely. Simply sending out several RFPs and, after receiving only one response, assuming that there was APC is not enough to ensure reasonable prices. Three other steps are required.

2. First, the contracting officer must perform adequate market research to determine that the one offer was based on real competition. FAR 15.403-1(c)(1)(ii)(A) states:

Based on the offer received, the contracting officer can reasonably conclude that the offer was submitted with the expectation of competition, e.g., circumstances indicate that--

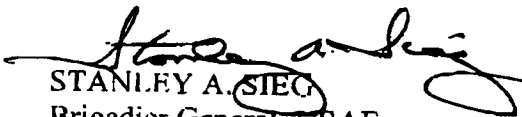
(1) The offeror believed that at least one other offeror was capable of submitting a meaningful offer; and

(2) The offeror had no reason to believe that other potential offerors did not intend to submit an offer;

The contracting officer must review the market situation and make a determination that the conditions in (1) and (2) exist. For example, if the sole offeror was the only source of required patents or data, or if it were well known in the industry that the sole offeror was no longer in the business, then APC would not exist. However, if the one offer received was consistent with other offers received when there was more than one offer, this could indicate that the sole offeror "believed" competition existed. While it is difficult to prove a negative or to know the intent of potential offerors who did not submit offers, the contracting officer must address the issue in the contract file as part of the pricing documentation.

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3. A determination of APC when only one offer was received must be reviewed in accordance with FAR 15.403-1(c)(1)(ii)(B) which states, "The determination that the proposed price is based on adequate price competition, is reasonable, and is approved at a level above the contracting officer." According to AFFARS 5315.403-1(c)(1)(ii)(B), "For AFMC activities, the Senior Center Contracting Official shall be the approval authority required in FAR 15.403-1(c)(1)(ii)(B)." This review and approval must be performed before contract award and must address the areas in this letter.
4. According to FAR 15.404-1 (a)(2), each procurement is subject to price analysis to ensure that price is reasonable, especially in situations where only one offer was received. In particular, any large increases in price from previous buys must be viewed skeptically and explained carefully. Any of the methods in FAR 15.404-1(a) may be used. The price analysis and determinations must be documented in the Price Negotiation Memorandum.
5. In summary the technique of APC when there is only one offer can be used as a basis for determining reasonable prices. However, the technique must be used carefully and in accordance with the FAR. Each center must ensure that the review required by the AFFARS is performed and documented.
6. If you have any questions, please call my action officer, Mr. Virgil Hertling, HQ AFMC/PKPC, DSN 986-0446, or e-mail to virgil.hertling@wpafb.af.mil.


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Brigadier General, USAF
Director of Contracting

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